

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

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C O N F I D E N T I A L ALGIERS 1961

E.O. 11652: GDS

TAGS: ENRG, AG

SUBJ: ALGERIAN DELEGATION TO WORLD ENERGY CONFERENCE
AND SALES OF LNG TO US

REF: ALGIERS 1697

PASS FPC AND FEA

1. SUMMARY -- ALGERIANS ARE PLANNING ON SENDING STRONG GROUP OF PARTICIPANTS TO WORLD ENERGY CONFERENCE. PRESENCE OF GROUP IN US. OFFERS CHANCE TO CLEAR AIR ON FUTURE U.S./ALGERIAN POLICY TOWARD SALES OF LNG TO U.S. AT THE MOMENT ALGERIANS DISCOURAGED ABOUT PROSPECTS OF RENEGOTIATING LNG CONTRACTS WITH EASCOGAS, DISTRIGAS AND PANHANDLE. END SUMMARY.

2. BEGIN UNCLASSIFIED. AT THIS BELATED DATE ALGERIANS ARE BEGINNING TO PLAN ON THEIR REPRESENTATION OF THE DETROIT WORLD ENERGY CONFERENCE SEPT. 23-27, 1974. PRESENT, PRELIMINARY INDICATIONS ARE THAT MOURAD CASTEL, SECRETARY GENERAL OF ALGERIAN MINISTRY OF INDUSTRY
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AND ENERGY WILL BE RANKING ATTENDEE. OTHER EXPECTED

PARTICIPANTS ARE NOURDINE AIT-LAOUSSINE, VICE PRESIDENT
FO SONATRACH, SLIMANE BOUGUERRA, DIRECTOR FOR SALES,
ESPECIALLY LNG, OF SONATRACH AND KHELIL CHAKIB,
TECHNICAL ADVISOR ON PRESIDENT'S STAFF. END UNCLASSIFIED

3. LAST TALKS WITH EASCOGAS AND DISTRIGAS WERE DISCOURAGING.
ALGERIANS HAVE NOW TAKEN POSITION THAT ALL OF EASCOGAS,
SECOND DISTRIGAS AND PANHANDLE LNG CONTRACTS ARE VOID.
THEY WISH TO RENEGOTIATE COMPLETE NEW CONTRACTS. (THIS
VOIDING OF CONTRACTS AFTER U.S. STATEMENTS AT LNG-4 IN
ALGIERS PROBABLY LEGAL UNDER TERMS OF EASCOGAS AND
DISTRIGAS CONTRACTS BUT NOT UNDER PANHANDLE CONTRACT.)
SONATRACH WISHES TO DRAFT NEW, UNCONDITIONAL CONTRACTS
WHICH HAVE VERY SHORT PERIOD FOR APPROVAL BY FOREIGN
GOVERNMENTS. DESPITE THEIR WILLINGNESS TO TALK
SONATRACH IS COMING TO BELIEVE THAT U.S. APPROVAL
PROCEDURES AND LOW U.S. BASE PRICE FOR GAS, MAKE U.S.
MARKET DUBIOUS PROSPECT FOR ALGERIAN GAS.

4. ON PRICE, NEITHER U.S. BUYERS NOR SONATRACH ARE GETTING
CLOSER OR SPECIFIC. BY INFERENCE IT SEEMS U.S. SIDE IS
TALKING JUST OVER \$1.00 PER MILLION BTU WHILE SONATRACH
IS TALKING AROUND \$2.00, BOTH PRICES FOB ALGERIA. WHEN
DISCUSSING FORMULA FOR COMPARISON OF PRICES WITH FUEL
OIL, SIDES ARE IN BASIC AGREEMENT ON COSTS UNTIL DISTRIBUTION
IN U.S. THERE SONATRACH COMPARES NO. 2 FUEL OIL IN NYC
AT LARGE POWER PLANT WITH GAS AT SIMILAR POWER
PLANT NEAR REGASIFICATION FACILITY. U.S. COMPANIES
INSST COMPARISON SHOULD BE DELIVERED GAS PRICE TO
MANY USERS IN METROPOLITAN AREA. THIS ACCOUNTS FOR MUCH
OF HUGE DIFFERENCE BETWEEN SIDES AND IF RESOLVED MIGHT
LEAD TO NEW COST BACK PRICE IN \$1.40 - \$1.60 PER MILLION
BTU RANGE (FOB ALGERIA). THIS SEEMS TO BE RANGE WITHIN
WHICH FRENCH AND GERMANS ARE NEGOTIATING FOR EARLY GAS
(1975-1977) FROM SIKKDA LINE 4 FIRST AND 5 AND 6 LATER
BEING BUILT BY PRITCHARD-RHODES. GAS FROM LINE 4
HAD BEEN SLATED FOR DISTRIGAS.

5. COMMENT: AS INDICATED ABOVE AND REFTTEL ALGERIANS
BECOMING DISCOURAGED WITH PROSPECTS OF SALES OF LNG
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TO US OVER AND ABOVE EL PASO I CONTRACT. IF
ALGERIAN DELEGATION ACTUALLY GOES, IT WILL BE STRONG
GROUP AND A MEETING SHOULD BE ARRANGED AT HIGHEST LEVEL
POSSIBLE WITH U.S. GOVERNMENT OFFICIALS TO DISCUSS
FUTURE OF ALGERIAN SALES OF LNG TO US. ALGERIANS WOULD
ALSO LIKE TO HEAR ABOUT FEA, FUTURE REGULATION OF NEW GAS,
AND U.S. ENERGY POLICY. IF MISSION CAN ASSIST IN
ARRANGEMENTS ON THIS END PLEASE ADVISE. AS FINAL

DELEGATION IS PUT TOGETHER, USINT WILL KEEP WASHINGTON
POSTED.
PELLETREAU

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NNN

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